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Israel

Honey

Production and Marketing of Honey in Israel 2002

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Report Highlights:

Israel produces between 2 and 3 thousand metric tons of honey annually and imports varying quantities between 250 and 650 metric tons to complement domestic production. Duties on honey are prohibitive and allow the government complete control of the quantities entering the honey market. In the long term, Israel is a potential marketing center for U.S. honey throughout the region

Includes PSD changes: No
Includes Trade Matrix: Yes
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Executive Summary

Israel's honey industry produces between two and three thousand metric tons of honey annually, depending on the rainfall. The main types include citrus, avocado, wild flower and eucalyptus honey. Farm gate value of the honey runs between 9 and 10 million dollars. Per capita consumption, at 0.5 kg per person, is well below that of the U.S. and some countries of Europe in spite of the traditional use of honey in the baking of Middle Eastern pastries.

Israel's bee industry is important to the fruit and field crop sectors of agriculture as a provider of pollination services. As such, its honey is protected from foreign competition. The high prices of domestic honey tax consumers to subsidize the pollination of the crops. The government import policy applies prohibitive tariffs to all but a small quantity of honey for which it has granted TRQs in bilateral trade agreements. U.S. honey pays 75 percent of the MFN rate for an unlimited amount of imports. In contrast for example, Bulgarian honey pays 50 percent of the MFN rate on a TRQ of 150 mt. Duties on all but packages of 1.5 kg or more are prohibitive, directing all imports to producer-wholesalers who import in barrels and repackage for the retail market. Annual imports usually do not exceed a few hundred metric tons. Imports are designed to make up for shortfalls in domestic production caused in years with below average rainfall. In the past, imports originated mainly in Spain and in Eastern Europe. They were of low price and were considered to be of inferior quality.

With investments in expansion of the market and an appropriate branding program - depending on changes in the tariff regime imposed on U.S. honey and other beehive products - U.S. honey could find a potentially significant market in Israel and the Palestinian Authority (PA) in the long term. Once the political unrest subsides and trade reopens between Israel and some of its Arab neighbors, there are prospects for expansion of the regional market for U.S. honey. Israel's largest honey producer has already taken steps to develop this venue but now awaits quieter times to renew marketing east of the Jordan River.

Production

Annual production of honey in Israel varies between 2,500 and 3,000 mt. The total annual production depends mainly on climatic conditions: the yields after rainy winters are the highest, while yields after droughts are low. The climate conditions also affect the mix of honeys produced. Rainy winters increase the share of wild flower honey.

Table 1: Israel. Annual Honey Production

Calendar Year	MT
1998	2,500
1999	3,000
2000	2,600
2001	2,600
2002	3,000

Source: CBS, Statistical Abstracts - 2001-2002 - Forecast.

The product line includes honey of different types and important byproducts like pollen and propolis, which are considered health products for treatment of a broad range of diseases and injuries. The main kinds of Israel honey are derived from citrus, wild flowers, avocado and eucalyptus. The agricultural sector values the honey industry beyond it's direct importance as a producer of honey because of it's critical role in the pollination of a broad range of crops. According to key people in the agricultural sector, the value of the bees in pollination is infinitely higher than it's value in honey and byproducts.

Table 2: Production Value of the Honey Industry (\$'000):

Year	Value
1998	8,894.7
1999	10,193.2
2000	9,240.2
2001	8,963.3

Source: 1998, 1999, 2000 - CBS, Statistical Abstracts of Israel.

2001 - calculated according to production volume and average farm gate price.

Consumption

The total annual consumption of honey in Israel (including the Palestinian Authority) is approximately 3,500 mt, of which 3,000 mt is consumed in Israel and between 400 and 500

tons in the PA, through official and unofficial marketing channels. Per capita annual consumption in Israel is estimated at 0.5 kg, while in the US per capita consumption is one kg and in Germany, 1.5 kg per capita. Most of the honey and other beehive products are consumed for food, while the rest is utilized by the food industry. More than 40 percent of annual consumption is sold for the Jewish New Year (Rosh Hashana).

Marketing

One large producer, who also packs and distributes for a number of small hive owners, controls almost 50 percent of the organized and bar coded honey market. The retail chains dominate almost 30 percent of the market. Recently, the chains have begun marketing under their own private labels. The honey marketed under private labels is partly produced under contract and partly imported. The competition from private labels is significantly felt by many individual packers, who now have less shelf space in the supermarkets.

In recent years honey was considered and handled as a commodity. Some ten years ago, the industry began upgrading and branding its products. The Producers have invested considerable effort in expanding the market by offering new products and novelty packaging, and conducting extensive advertizing campaigns. Lately, a whole line of new products and packages was designed to attract children. The market was fed also a broad range of new products for special events, such as gift packages for special holidays. Despite the market development efforts, consumption per capita has increased only slightly in recent years.

Trade

Imports

Table 3: Imports of Honey to Israel

Year	Quantity - mt
1998	700
1999	800
2000	400
2001	500
2002 (forecast)	270

Source: 1998 - 2000: CBS, Food Balance Sheet; 2001: Honey Board of Israel; 2002 imports are according to import licenses issued by MOA for the year, of which 100 mt are from Hungary, 150 mt from Bulgaria, 10 mt from Slovenia and 10 mt from Poland.

Honey imports, completely controlled by the Honey Board, are limited to periods of shortage. Annual imports in recent years varied between 400 and 800 mt. CY2002 will see a drop in imports due to the rainy winter which increased local production. The stoppage of purchases

by the Palestinian Authority due to the difficult political situation also enhances the quantities available for the Israeli market. The import quotas under reduced tariffs are managed by the Honey Board of Israel which determines the import quantities every year and allocates the import licenses to honey producers. The tariff schedule makes it economically feasible only to import in bulk. Most of the imports are in 180 - 200kg barrels and are repacked by the importers into retail packages of various sizes.

Table 4: Honey Imports by Year and Country (\$'000):

Year	1998	1999	2000	2001
Country				
Argentina				42
Belgium		44		
Hungary	106	242	52	80
Poland			19	19
Bulgaria			53	
China	3			
Romania		35		
Spain	215	663	251	53
Switzerland		63	5	9
Slovenia				37
UK		112	51	14
Canada			49	
US	94	30		916
Total	418	1,189	480	1,170

Source: CBS, Foreign Trade Statistics, Annuals

The CIF price of imported honey from the US for many years was stable at about \$900/mt. This price, combined with a preferential duty, allowed competition with local production and with other sources of honey. During CY2001 the price increased to \$1,350 - \$1,400/mt. The current price for American honey is \$2,200/mt, which makes competition with other sources, including local production, impossible.

Exports

Some honey is exported, mainly in novelty packs, as gifts for the holidays. Annual export value is approximately \$200,000.

Table 5: Exports by Destination \$ '000

Country	Value
South Africa	94
Jordan	28
Canada	20
United Kingdom	18
Japan	15
U.S.	9
Others	16
Total	200

Trade Policy

Honey imports are subject to the duty indicated in Table 6 below. In general, the duty imposed makes the consumer price on imports prohibitive and uncompetitive even with the high priced domestic product. Consumer prices on standard domestic honey run between NS 15 and NS 20 per kg.

Table 6: Duties on Natural Honey and Byproducts

HS	Description	General (MFN) Rate	EU and EFTA	Levies on US
0409.0010	Within the 5 th addition,* the value of which does not exceed NS 14 /kg (Preferential treatment for honey from Bulgaria and Hungary).	NS 7 / kg	NS 7 / kg	-
0409.0020	in packages >1.5 kg	NS11.56/kg BNM 268.5%	NS11.56/kg BNM 268.5%	NS8.67/kg BNM 201.4%
0409.0090	honey in packages <1.5 kg	NS16.82/kg BNM 268.5%	NS16.82/kg BNM 268.5%	NS12.62/kg BNM 201.4%
0410.0010	Propolis	12%	Exempt	0%

Source: The Israeli Customs Tariff - 2002

BNM = But Not More than.

* The 5th addition to the Israel Customs Tariff sets out the Tariff Rate Quotas Israel has allocated under its WTO obligations.